

## Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 NEA-10 ISO-00

SOE-01 AID-05 CEA-01 CIAE-00 COME-00 DODE-00

DOE-12 H-01 INR-07 INT-05 L-03 NSAE-00 OMB-01

PM-05 OES-07 SP-02 SS-15 STR-05 TRSE-00 ACDA-12

IGA-02 PA-01 PRS-01 IO-13 OIC-02 INRE-00 NSCE-00

SSO-00 /162 W

-----002184 231145Z /23

O 222225Z DEC 77

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC IMMEDIATE 485

INFO USIA WASHDC IMMEDIATE

AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY ALGIERS IMMEDIATE

AMEMBASSY BONN IMMEDIATE

AMEMBASSY BRASILIA IMMEDIATE

AMEMBASSY DOHA IMMEDIATE

AMEMBASSY JAKARTA IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY LAGOS IMMEDIATE

AMEMBASSY LIBREVILLE IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

AMEMBASSY MUSCAT IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY QUITO IMMEDIATE

AMEMBASSY ROME IMMEDIATE

AMEMBASSY TEHRAN IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

USINT BAGHDAD IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

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USIA FOR IOP/M

EO 11652: GDS

TAGS: OPEC

SUBJ: CARACAS OPEC CONFERENCE: FINAL DAY AND PETROLEUM

ASSESSMENT

REF: A CARACAS 12330 B CARACAS 12331 C CARACAS 12367  
C CARACAS 12392

1. SUMMARY: THE CARACAS OPEC CONFERENCE CONCLUDED WITH A FREEZE ON OIL PRICES FOR AT LEAST SIX MONTHS, BUT LITTLE ELSE. THE PRICE ISSUE WAS DISCUSSED, AND WHILE THE MEMBERS COULD NOT AGREE ON AN INCREASE, THERE WAS NO OPEN SPLIT AS HAD OCCURED A YEAR AGO. PRES PEREZ'S PROPOSAL TO INCREASE ASSISTANCE TO THE THIRD WORLD APPARENTLY FELL ON DEAF EARS, IN PART POSSIBLY DUE TO HIS OVER ENTHUSIASTIC EFFORTS TO PROMOTE IT AMONG THE ASSEMBLED OPEC MINISTERS. END SUMMARY.

2. THE CARACAS OPEC CONFERENCE ENDED ABOUT NOON DEC 21, 26 HRS AFTER IT WAS OPENED BY VEN PRES PEREZ. FORMAL SESSIONS CONSISTED OF HIS HOUR-LONG INAUGURAL SPEECH DEC 20, A THREE-HOUR SESSION LATER THAT SAM DAY DEVOTED LARGELY TO FIXING THE AGENDA, AND A TWO HOURS WORKING SESSION THE NEXT MORNING.

3. SUBSTANTIVE RESULTS OF THE MEETING, AS REPORTED IN THE FINAL PRESS RELEASE (REF D), ARE SUMMARIZED AS FOLLOWS:  
A THE MEMBERS AGREED TO CONSULT ON THE STRENGTHENING OF THIRD WORLD SOLIDARITY VIS A VIS THE NEW INTERNATIONAL ECONOMIC ORDER. THE CONFERENCE EXPRESSED DISSATISFACTION WITH THE LACK OF PROGRESS ON THE COMMON FUND FOR RAW MATERIALS AND CONFIRMED ITS SUPPORT  
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OF THE FUND.

B THE CONFERENCE STUDIED BY COULD NOT REACH CONSENSUS ON OIL PRICE READJUSTMENTS.

C IT WAS DECIDED TO STUDY THE RELATIVE VALUE OF HEAVY CRUDES IN A MEETING OF THE AD HOC MINISTERIAL COMMITTEE IN THE FIRST QUARTER OF 1978.

D THE CONFERENCE DISCUSSED AND EXPRESSED CONCERN REGARDING THE EFFECT OF INFLATION ON THE PURCHASING POWER OF ITS MEMEBERS OIL PROFITS AND REGARDING THE WEAKENING OF THE DOLLAR, ORDERING THE SECRETARY TO STUDY THIS LAST QUESTION AND RECOMMEND MEASURES TO PROTECT THE MEMBERS' INTERESTS.

E THE CONFERENCE FIXED THE DATE OF THE NEXT MEETING AT JUN15, 78.

4. AFTER READING THE PRESS RELEASE AT A 2PM BRIEFING, OPEC SECRETARY GENERAL JAIDAH WENT ON TO SAY THAT THE MINISTERES HAD AGREED NOT TO DISAGREE ON THE PRICE ISSUE, WHICH HE SAID MEANT THAT INDIVIDULA COUNTRIES WOULD NOT UNILATERALLY RAISE PRICES AND THAT THEREFORE PRESENT PRICES WOULD CONTINEU. THERE HAD BEEN A REPORT THAT THE LIBYAN MINISTER MADE IN A 2AM STATEMENT TO A MIDDLE EAST NEWS SERVICE TO THE EFFECT THAT LIBYA, ALGERIA, IRAQ AND NIGERIA WOULD RAISE PRICES ON THEIR OWN IF THE CONFERENCE DID NOT ACCEPT AN INCREASE.

5. IN HIS ONLY PRESS CONFERENCE, WICH TOOK PLACE A FEW HOURS AFTER THE CONFERENCE ADJOURNED AND WAS LIMITED SOLELY TO VENEZUELAN JOURNALISTS, SHEIK YAMANI OF SAUDI ARABIA CHARACTERIZED THE CONFERENCE AS A TRIUMPH FOR OPEC RATHER THAN FOR ANY SPECIFIC GROUP, SAYING IT DEMONSTRATED THE ORGANIZATION'S UNITY IN DIFFICULT CIRCUMSTANCES. WHILE THERE WERE SOME VARIATIONS IN THE REPORTS FROM THIS PRESS CONFERENCE, IT WAS CONSISTENTLY REPORTED THAT HE SAID AGREEMENT ON PRICES WAS IMPOSSIBLE BECAUSE OF THE CURRENT OIL SURPLUS, ADDING THAT TODAY THERE IS A SURPLUS IN SUPPLY AND TOMORROW THERE WILL BE AN EXCESS OF CONSUMPTION, AND THAT IN THIS SITUATION SAUDI ARABIA WILL TAKE THE NECESSARY MEASURES TO ESTABLISH AN EQUILIBRIUM. ALSO, BECAUSE THE SAUDIS TAKE THIS RESPONSIBILITY, YAMANI SAID HE SAW NO NEED TO ANALYZE  
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PRODUCTION PROGRAMMING. WHEN SURPLUSES ARE REDUCED, HOWEVER, HE REPORTEDLY SAID ANY COUNTRY CAN RAISE ITS PRICES.

6. PRESS REPORTERS COVERING THE CONFERENCE COMPLAINED ABOUT THE SECURITY PRECAUTIONS HINDERING THEIR EFFORTS. THE REPORTERS WERE KEPT IN THE MACUTO SHERATON WHICH IS CLOSE TO THE CARIBE. THEY WERE NOT ALLOWED IN THE CARIBE ON THEIR OWN AND THE ONLY WAY THAT THEY COULD SPEAK WITH ANYONE WAS TO SIGN UP ON A LIST WHICH WAS TAKEN TO THE MINISTERS, THE MINISTERS THEN WOULD DECIDE TO WHOM THEY WOULD SPEAK FEW REPORTERS EVER SAW A MINISTER.

7. THE INFO THEY DID RECEIVE WAS THRU PRESS BRIEFINGS HELD IN THE MACUTO. SOME INTERVIEWS WERE HELD IN THE MELIA, ONE FOR BRITISH JOURNALISTS WITH PRES PEREZ ON TUESDAY EVE ANOTHER WITH SHEIK YAMANI LIMITED TO VEN REPORTERS, AND THE LAST ONE WAS WITH MINISTER ALTHANI AND A SELECTED GROUP OF 15 JOURNALISTS.

8. MOST OF THE TIME THE JOURNALISTS ENDED UP SPEAKING TO EACH OTHER AND MAKING REMARKS THAT A NEW FORM OF CENSORSHIP HAD BEEN FOUND AND IT IS CALLED SECURITY.

9. COMMENT POSSIBLE MORE SIGNIFICANT THAN WHAT WAS SAID WAS WHAT WAS NOT SAID. THE PRESS RELEASE CONTAINED NO SPECIFIC REF TO PRES PEREZ' PROPOSAL TO USE INCREASED OIL PROCEEDS TO HELP THE REST OF THE THIRD WORLD. THE RELEASE SIMPLY SAID HE "MADE PROPOSALS STRESSING THE ROLE OF OPEC VIS A VIS THE OTHER DEVELOPING COUNTRIES." THERE WAS ALSO NO INDICATION THAT THE MEMBERS TOOK HEED OF HIS CALL FOR AN EXTRAORDINARY MEETING TO DISCUSS THIS PROPOSAL. HE SECRETARY GENERAL REPORTEDLY SAID THE PROPOSAL SHOULD BE DISCUSSED AND CONSIDERED BY THE MEMBER GOVTS AND YAMANI APPARENTLY MADE A SIMILAR NON-COMMITTAL COMMENT, WHICH WE WOULD INTERPRET AS NO MORE THAN THAT REQUIRED BY SIMPLE COURTESY. AL OTAIBA IN HIS DEC 20 PRESS CONF BARELY DID THAT. SOME LOCAL PRESS REPORTS CLAIM THE PROPOSAL WAS WELL RECEIVED AND  
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HELPED AVERT A CRISIS WITHIN THE ORGANIZATION, BUT WE SEE LITTLE EVIDENCE OF THIS. HOWEVER, PEREZ HIMSELF, ASKED PRIVATELY BY A LOCAL PUBLISHER THE EVE OF DEC 20 ABOUT PROSPECTS FOR HIS PROPOSAL, INSISTED THAT WITHIN THREE MONTHS THE OPEC COUNTRIES WOULD ACCEPT IT.

10. IT IS OUR PRELIMINARY ASSESSMENT THAT HIS PROPOSAL, AS MADE IN THE INAUGURAL SPEECH, WAS AN EXCELLENT TACTIC TO SHIFT THE FOCUS AWAY FROM PRICES PER SE, AND THUS EASE, AT LEAST ON THE DOMESTIC POLITICAL SCENE, WHAT APPEARED TO BE AN ALMOST INEVITABLE DEFEAT FOR HIS STRAIGHT STAND FOR A PRICE INCREASE. WITHIN OPEC ITSELF, HOWEVER, PEREZ MAY WELL HAVE OVERPLAYED HIS HAND AS HE APPARENTLY ATTEMPTED TO EXERT PRESSURE FOR HIS INITIATIVE DURING HIS PRIVATE MEETINGS WITH EACH VISITING MINISTER. WE ARE TOLD SUCH EFFORTS WERE UNPRECEDENTED FOR OPEC, THE MINISTERS APPARENTLY WERE EXPECTING SIMPLE COURTESY VISITS FROM THE HOST CHIEF OF STATE. HIS ACTION APPEARS TO HAVE UNDERCUT THE ROLE OF PEREZ' OWN MINISTER HERNANDEZ, AND IT MAY WELL HAVE TURNED MANY OF THE VISITORS AGAINST THE PROPOSAL ITSELF.

11. ON OTHER SUBSTANTIAL ISSUES, LITTLE INFO IS AVAILABLE OTHER THAN THAT ALREADY REPORTED. IN SPITE OF A REPORTED LAST MINUTE VENUE EFFORT TO POSTPONE DISCUSSION OF THE PRICE ISSUE TO AN EXTRAORDINARY MEETING TO BE HELD IN MAR, IT APPEARS THAT PRICES ARE EFFECTIVELY FROZEN FOR AT LEAST 6 MONTHS AND POSSIBLY A YEAR, DEPENDING LARGELY ON THE MARKET SITUATION WHEN OPEC RECONVENES IN JUN. THERE ALSO SEEMS TO HAVE BEEN NO DECISION ON PRODUCTION PROGRAMMING, ALTHOUGH THE COMMENTS BY SAUDI AND UAE MINISTERS WOULD SEEM TO INDICATE THAT SOME OF THE MIDDLE EAST PRODUCERS ARE AGAIN WILLING TO TAKE IT UPON THEMSELVES TO CUT BACK IN THE FACE OF SURPLUS PRODUCTION.

12. A LOCAL GATHERING ON DEC 22 OF US UK JAPANESE AND CANADIAN EMBASSY REPS REVEALED SIMILAR CONCLUSIONS. PEREZ' PROPOSAL FOR DEBT RELIEF AND 5 TO 8 PERCENT INCREASE WAS GENERALLY SEEN AS AN ASTUTE POLITICAL MOVE WHICH KEPT THE CONF FROM BECOMING A DECIDED LIABILITY TO PEREZ HIMSELF. THE UK AMBASSADOR

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EXPECTED THERE WOULD BE SOME BACKLASH AGAINST THE INDUSTRIALIZED COUNTRIES WHO HAD PRESSED FOR A PRICE FREEZE, EVEN ITSELF AND CERTAINLY IN FURTHER NORTH-SOUTH DISCUSSIONS. THE GROUP WAS CURIOUS TO WHY IRAN A LEADER AND PRICE HAWK LAST YEAR, HAD BECOME A MODERATE FOLLOWER THIS YEAR.

13. THE UNIVERSAL EXPRESSION AT THE END OF THE CONFERENCE

PARTICULARLY PRONOUNCED AMONG THE VENEZUELAN OFFICIALS INVOLVED  
WAS ONE OF RELIEF. ALMOST TO A MAN, WE UNDERSTAND THEY ARE  
PLANNING LENGTHY HOLIDAY  
LEAVES.ON THEIR RETURN, WE WILL ATTEMPT TO OBTAIN A MORE COMPLETE  
UNDERSTANDING OF JUST WHAT TOOK PLACE AT THE CONFERENCE AND  
WHAT FALLOUT CAN BE EXPECTED.  
CROWLEY

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## Message Attributes

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